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Don't Borrow Your Own Money! Steer Clear of Tax Refund Anticipation Loans

Boston – January 15, 2009 – The Office of Consumer Affairs and Business Regulation (OCABR) and Department of Revenue (DOR) advise tax payers to steer clear of tax refund loans, also known as *refund anticipation loans* (RALs). RALs are secured by and repaid from a pending federal tax refund.

A refund anticipation loan is a risky proposition because it must be repaid even if the taxpayer's refund is denied, less than expected, or frozen. If the taxpayer cannot pay back the RAL, the lender may send the account to a debt collector.

Because the loans are short term, the annualized interest rates are very high. "No one should have to pay interest on their tax refund," said Massachusetts DOR Commissioner Navjeet K. Bal.

Office of Consumer Affairs & Business Regulation Undersecretary Dan Crane advises taxpayers to consider the following alternatives to RALs:

1. *File your tax return electronically* (E-file) with the refund deposited directly into your bank account. Massachusetts taxpayers can now e-file their *state* income tax returns directly with the DOR using the "WebFile for Income" program. WebFile for Income is free, convenient, secure, and you should receive your refund in less than 10 days. For more information, visit the DOR's web site at www.mass.gov/dor.
2. When you do receive your refund, *avoid check cashers*. They charge fees to cash RAL and tax refund checks. Undersecretary Crane suggests, "If you don't have a bank account, open one so that you can take advantage of direct deposit for your tax refund and your pay check. Many banks reduce or eliminate fees when you have your pay check deposited directly to your account."

A list of banks that participate in the Commonwealth's *Basic Banking for Massachusetts* program as well as a description of the program's low cost bank account is available at the [Basic Banking for Massachusetts web site](#).

3. *Reduce your income tax withholding so that you won't have to wait for a refund next year.*

For free tax preparation, low- to moderate-income tax payers can take part in the *Volunteer Income Tax Assistance* (VITA) program, which is coordinated by the IRS. VITA sites can be found in libraries, community centers, and other locations during tax season. Most sites offer free electronic filing to expedite the receipt of tax refunds. If you earned \$54,000 or less in 2008, you can use the IRS Free File program to prepare your *federal* income taxes online at [IRS Free File](#).

The AARP *Tax-Aide* program provides free tax preparation and assistance services to millions of low- and middle-income taxpayers, with special attention to those ages 60 and older. See <http://www.aarp.org/money/taxaide> for more information. The DOR Circuit Breaker Tax Credit program, available to Massachusetts residents ages 65 or older, may provide a *state* income tax credit to seniors. Further details are available at www.mass.gov/dor.